

Message Text

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PAGE 01 STATE 049238
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DRAFTED BY: AF/W:GADIES:LFS

APPROVED BY: AF/W:TWMSMITH

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FM SECSTATE WASHDC

TO AMEMBASSY ABIDJAN

C O N F I D E N T I A L STATE 049238

FOLLOWING TEL SENT ACTION SECSTATE OUAGADOUGOU FROM LONDON
FEB 23:

QUOTE C O N F I D E N T I A L LONDON 03100

E.O.11652: GDS

TAGS: BEXP, EAIR, UV, US, UK

SUBJECT: PAN AFRICAN AIR INDUSTRIES (PAAI)

REF: (A) STATE 39412; (B) OUAGADOUGOU 655

1. WE DISCUSSED POSSIBLE MINISTRY OF DEFENSE (MOD) FLEX-
IBILITY ON FEBRUARY 23 DEADLINE SET FOR PAAI TO DEPOSIT
1 MILLION POUNDS AGAINST PURCHASE OF BELFASTS WITH MOD
OFFICIAL RESPONSIBLE (KENWORTHY), FEBRUARY 23. HE WAS
GREATLY SURPRISED THAT WE WERE RAISING QUESTION WITH HIM,
AS HE HAS NOT YET BEEN APPROACHED BY PAAI FOR AN EXTEN-
SION. WE POINTED OUT THAT APPARENTLY MIDLAND BANK HAD
CHANGED ITS POSITION AT LAST MOMENT AND THAT PAAI SHARE-
HOLDERS WERE NOW EXPLORING OTHER POSSIBILITIES FOR FINAN-
CING IN GENEVA. WE ALSO POINTED OUT THAT PAAI PRESIDENT
IS CONFIDENT THAT UPPER VOLTAN GOVERNMENT ON BRINK OF
SIGNING LONG-TERM CONTRACT THAT WILL UNBLOCK FURTHER
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SOURCES OF FINANCING.

2. KENWORTHY SAID THAT IN ANTICIPATION OF APPROACH BY
PAAI FOR EXTENSION, HE WOULD RAISE QUESTION INFORMALLY
WITH HIS SUPERIORS IMMEDIATELY. HE POINTED OUT, HOWEVER,
THAT MOD HAS ALREADY EXTENDED DEADLINE FOR PAYMENT BEYOND
NORMAL LIMITS. HE ADDED THAT IN RECENT MEETING WITH PAAI

PRESIDENT, HE HAD BEEN GIVEN POSITIVE ASSURANCES THAT PAAI WOULD HAVE NO DIFFICULTY IN MEETING FEBRUARY 23 DEADLINE. IN LIGHT OF THIS, HE WILL RECOMMEND THAT IF EXTENSION IS GIVEN, PAAI BE CHARGED FOR THE INTEREST LOST TO MOD ON THE 1 MILLION POUNDS DURING PERIOD OF THE EXTENSION AT CURRENT HM TREASURY RATES (AROUND 12 PERCENT). IN ADDITION, PAAI HAS "SCREWED MOD DOWN INTO THE GROUND" ON DELIVERY, AND THIS WILL HAVE TO BE RECONSIDERED. HE SAID THAT IF PAAI CANNOT PAY ON TIME, THEY CAN HARDLY EXPECT THEIR EXTREMELY VIGOROUS DELIVERY SCHEDULE TO BE MAINTAINED.

3. FOLLOWING DISCUSSION WITH KENWORTHY, WE RECEIVED CALL FROM COL. ROBERTSON AS WELL AS REFTEL (B). ROBERTSON SAID THINGS WERE NOT QUITE AS DESPERATE AS DEPARTMENT LED TO BELIEVE BY BARRON AND PAXTON. HE IS STILL NEGOTIATING WITH MIDLAND BANK AND EXPECTS TO RECEIVE TELEX FROM GOVERNMENT OF IVORY COAST SOMETIME TODAY WHICH COULD POSSIBLY CONVINCE MIDLAND TO PARTICIPATE IN FINANCING PURCHASE. HE SAID HE HAS HEARD THAT BARRON AND PAXTON WERE UNABLE TO COME UP WITH FINANCING THROUGH MARRIOTTE IN GENEVA. THIS WAS WELCOME NEWS TO ROBERTSON AS HE WOULD NOT WISH TO HAVE THESE TWO IN POSITION TO TAKE OVER CONTROL OF AIRCRAFT, WHICH THEY WOULD THEN ATTEMPT TO SELL TO THE HIGHEST BIDDER. THIS, AS REFTEL (B) RIGHTLY POINTS OUT, WOULD PUT UKG IN EXTREMELY DELICATE POSITION. ROBERTSON HAS PROMISED TO LET US KNOW AS SOON AS SOMETHING BREAKS ONE WAY OR THE OTHER ON FINANCING.

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4. WE DISCUSSED THESE LATEST DEVELOPMENTS WITH KENWORTHY (MOD), WHO SAID HIS OFFICE WILL BE PREPARED TO TAKE A FAIRLY RELAXED VIEW OF DEADLINE AND NOT ATTEMPT TO CONTACT PAAI UNTIL FRIDAY, FEBRUARY 25. HOWEVER, HE EXPRESSED HOPE, WHICH WE WILL PASS ON TO ROBERTSON, THAT HE WILL BE HEARING FROM THE PAAI PRESIDENT VERY SOON. ARMSTRONG UNQUOTE CHRISTOPHER

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